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Resource Base View for Competitiveness of Franchise Business in Education

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ABSTRACT

Franchisor's success is ultimately dependent on how well franchisees are able to manage their business, franchisors have a clear incentive to provide franchisees with ongoing training, mentoring, and the explicit knowledge they need to operate the business successfully. The resource-based perspective puts both vertical integration and diversification into a new strategic light. It also invites consideration of managerial strategies for developing new capabilities. The competitive forces approach in particular leads one to see concentrated industries as being attractive-market positions can be shielded behind entry barriers, and rivals costs can be raised. It also suggests that the sources of competitive advantage at the level of the industry, or possibly groups within an industry.

Keywords: Franchisor, Franchisee, Resource Base View, Strategy.

1. INTRODUCTION

Franchising is a growing method of business expansion, both domestically and internationally. Franchising has become a popular business strategy in many industries around the world. Franchising can be defined as a legal business arrangement in which the owner of a product, process, or service licenses another party to use it in exchange for some sort of payment. Buying a franchise involves buying the rights and support systems to own and operate a business that has been designed by someone else. It is a common way of establishing a business. Usually, franchise networks are based on a successful business established in one original location. Franchise outlets may then be established in other locations. Each location uses the same company name, operating system, purchasing procedures and management system, and benefits from general advertising campaigns. Each franchise outlet receives varying degrees and types of franchise supports.

Franchising can be an alternative business development and market access in relation to the efficient distribution of products. This business, in addition to providing benefits to investors are also able to contribute to the growth of national economy. Therefore, it is time the competitiveness of national franchises have and continue to be improved. According to statistics, the number of workers involved in this industry in 2009 reached about 610 thousand persons or 16.5% increase compared with 2008 the number of employees reached 523 thousand people. It is estimated that, until the end of 2010, the number of workers in this industry jumped to 18% or approximately 719 thousand people (BPS, 2010). In some countries, business with the current franchise system continues to be enhanced and supported as it can open employment for victims of termination of employment (FLE), which in turn will impact on the decline in poverty rates. Franchise business is immune to the economic crisis because it does not rely on certain investments and more independent. (Pangestu, 2010). The government already has a program stimulus to business franchises. Government support program by providing management training and exhibitions in the country. Implementation of training and investment in SMEs in franchise exhibition is expected to improve their business skills, and connect with franchisees and other business actors. Through the exhibition is also expected that small businesses including franchise will have high competitiveness. The Government will continue to encourage the growth of franchises in order to enhance growth of national economics, in hopes of a franchise business can be one of the pillars of national economy. In addition, the government even today continues to develop and improve the competitiveness of the franchise in Indonesia.

Commitment to support the Indonesian government against the business franchise is seen in the Government Regulation (PP) No.42 of 2007 and the Regulation of the Minister of Trade (Permendag) No. 31 of 2007 on the franchise. Government regulation is expected to give business certainty and legal certainty for the Franchisor and Franchisee in marketing their products. In PP No.42 was also mentioned that in order to improve the coaching business with Franchise in Indonesia, national entrepreneurs, especially small and medium entrepreneurs are encouraged to grow as a provider of reliable national franchise, and has a competitive edge in domestic and overseas, particularly in order to market their products domestically. That is, the Government deems it necessary to know the legality and reliability of business of the Franchisor both from overseas and domestic business in order to create transparency of information that can be used optimally by the national effort in marketing the goods and / or services to the franchise. Government



support will be better if supported by the perpetrators of the franchise of providing services. Franchisees should not just be able to produce goods efficiently, but should be able to think creatively in packaging products for added value for consumers. With the issuance of Government Regulation (PP). 42 Year 2007 on Franchising, is expected to also able to boost the growth of national franchises through labeling. In fact, if review of the managerial aspects, is still a lot of national franchises that do not meet the PP. 42 of 2007, especially the aspects of the necessity of the label.

The literature on franchising has tended to focus on the motivations for franchising and optimal governance structures for a franchising system. (Dant and Kaufmann, 2003; Inma, 2005). In contrast, relatively little research in competitiveness franchise business with resource based view in education. The resource based view attempts to explain franchising as the desire to expand with scant resources. Franchising helps not only the franchisor to expand market segments with the use of the franchisee's capital, but also the franchisee to obtain capital or technology at lower costs.

2. COMPETITIVENESS AND RESOURCE BASE VIEW

The concept of competitiveness has a long history of thought and debate, and numerous definitions, models and frameworks have emerged to define this complex concept. The economists Smith (1776) and Ricardo (1817) focused on the competitiveness of nation using the factors of production as the main tool of statistical analysis. While others such as Barney (1995), and Prahalad and Hamel (1990), emphasized the competitiveness at the firm level.

The resource based view emphasizes how a firm's unique resources may allow the organization to develop a sustained competitive advantage. Resources and capabilities can divide into tangible resources and intangible resources. Tangible resources include financial, physical, technological and organizational. Intangible resources include human, innovation and reputational (Barney, 1991). From franchisor's perspective, the resource based view depicts franchising as a mechanism designed to provide franchisors with the resources necessary to accelerate growth in order to reach economic of scale and build brand name (Caves and Murphy, 1976). LaFontaine and Kaufmann (1994) propose that resource based views imply that firms have a life cycle that starts with franchising to raise capital and ends with buy outs as the system matures.

Four criteria should be used to determine whether or not a firm's capabilities are core competencies and can be a source of competitive advantage. Before they can be sources of competitive advantage, capabilities must be valuable, rare, costly to imitate and nonsubstitutable (Halawi, 2005). It is important to understand that a firm's capabilities must meet all four of the criteria noted earlier before they can be core competencies and enable the firm to achieve a sustainable competitive advantage. Over time, core competencies must be supported, but they cannot be allowed to become core rigidities. Core competencies are a source of competitive advantage only when they allow the firm to create value by exploiting opportunities in its external environment (Ireland, 2011).

3. RESEARCH METHOD

The objective of this research is to know the key successful franchise of education in terms of resource base view, to achieve competitiveness. Factors to be studied is divided into 2 parts, in terms of intangible assets and tangible assets. Further the correlation between the part, what is the most dominant factor of competitiveness and what factors do not influence it.

Sample selection was purposive and expert interviews were chosen. Content analysis was used to analyze the interviews and develop a conceptual map for each category of analysis, both tangible and intangible assets. Findings are categorized into key success factor to get competitiveness in franchise of education in Indonesia.

4. DISCUSSION

The development of franchise business is still dominated by foreign players. Viewed from the side of growth, foreign franchise reaches 15%, while the local franchise business recorded growth of just less than half or about 7%. Unequal growth is due to various factors. Local franchise has not met most of franchise criteria. Although local businesses that already have partnerships with other parties, has a name (brand) and business excellence and proven, but many are joint venture partnerships or for the results. In contrast to local businesses, foreign franchises more to get place in the national market. Based on research data that have been done Indonesian Franchise Association (AFI), local entrepreneurs are more likely to choose foreign franchise as it is considered more reliable, has proven successful and experienced. The results showed, the local businessman choose foreign franchise because of accountability and give the image (the image or prestige) for the franchisee. For foreign players own, Indonesia is a potential market. It can be seen from the number of Indonesia's population reaching 220 million people. Of that amount, reaching 15-17% middle class with a structure under the age of 30 years less than 50%. With this huge market potential and high level of trust from the local entrepreneur, not surprisingly, the number of foreign franchises are much greater.

Education sector offers potential business opportunity that emanates from the fact that India has world's largest youth population who wants to boast of receiving quality education with world-class training systems and also the reality that gap between the number of potentially employable people and corresponding training institutes available to train them



is wide. Viewed from the Indonesian population that reached 240 Million people, it is a the potential market for franchise education in Indonesia, because the number of school-age rate in Indonesia continues to increase. If compared with india, the market of education get 25 to 28 percent of market share. In general, if we compared the franchise business in India is worth 8 to 10 million USD. Education Franchise is the largest franchise in India, then ranked second followed by the retail franchise with a market share of 12 to 14 percent and the third is food for 9 to 12 percent. (Seputar Indonesia, January 2011).

In terms of growth, franchise business in Indonesia is relatively slow in the year 2010, growth is only about three percent. The slow growth is due to the ability of business actors in Indonesia is still relatively low. The element of entrepreneurship is still lacking, therefore the need for a national franchise businesses continue to increase its capacity by learning tips to build business in an established franchise business and compete with foreign franchises. With a business management professional, then the franchise can survive and develop as hoped. During this time, many franchises are falling suspected due to a lack of business management professionals. Currently, the company owned franchise outlets reached 4100, from 1,800 franchises nationwide. Of all the franchises in Indonesia, both local and foreign property, in the form of franchise and business opportunity sales revenue until the end of 2010 amounted to Rp 114.64 billion. The amount is up 20% from the acquisition in 2009 of Rp 95 billion. Trends in increased turnover of the franchise business a little look from the year 2008, which in that year obtained a turnover amounting to Rp 81 trillion and increased by 18% in 2009 to Rp 95 billion. Thus, the average growth during the year 2008-2010 amounted to 19% per year (BPS, 2011). Franchise industry are grouped into 8 major groups, namely the F & B (Food & Beverage), Retail Minimarket, Property Brokers, Courier / expedition, Education, Health and Beauty, Fashion & Accessories and Automotive. Of the 8 groups listed above, the largest market share is F & B, which in 2010 its value is expected to reach Rp 42.6 billion. The second highest retail minimarket achieved, with Rp 26.5 billion, followed by the property broker to Rp 19.8 billion. The fourth and fifth position occupied by courier / expedition (USD 7.9 billion) and education (USD 6.4 billion) (deperindag, 2011)

Nama	Franchisor	Est. since	From	Fr. Fee*	Type
I-Tutor	PT. International Data Networks	2006		26	Tutoring
British 5 School of English	British 5 International	2003		50	English
Ayo pinter	CV. Purwadira	2009		15	Tutoring
Al Jabr Easy Math	Al-Jabr Easy Math	2010		10	Math
Bumble bee	Bumble Bee Preschool	2001			Preschool
ILP	PT. Intiasi Langkah Positif	1977		230	English
Mindlab	PT. Rammel Indo	1990		250	Logical Thinking
EF English First		1995	USA	1,500	English
Saint Anna Education Center					Tutoring
IIAM	Yayasan Pengembangan Profesi Internasional (YAPSI)	1998	Ind	175	Airline
The School IBSC TV presenter	Yayasan Pendidikan Cavendish	1999			TV presenter
LP3i Course center	PT. LP3I	1989	Ind	105	Tutoring
JHC jari hitung cepat Indonesia	Jari Hitung Cepat Indonesia	2001		10	Math
Jarimatika					Math
LP3T-NF	PT. Nurul Fikri Cipta Inovasi	2000	Ind	50	computer
Pingu's English	Jarimatika Center Indonesia	2001		12,5	English
Lembaga pendidikan Salemba	Salemba Edukasindo	2003		25	Tutoring
Teknos Genius	Teknos Genius	1982	Ind	98	Tutoring
Tiara Bimbingan belajar	Yayasan Mutiara Ilmu	2004	Ind	75	Tutoring

Nama	Franchisor	Est. since	From	Fr. Fee*	Type
Dojo Education & Training		2000		250	Tutoring
Fastrackkids		2001			Computer
Kids2Success	PT. Bina Bunga Bangsa	2005			Tutoring
Global Art		2003	Malaysia	100-200	Drawing
Sakamoto		2004	Jepang	50	Math
Semproa SIP		1999	Malaysia	50	Semproa
Aloha Indonesia Abakus		2000	Malaysia	10	Semproa
MathMagic		2005	Ind	100	Math
Kumon		1996	Jepang	40	Math
YAI		1998	Ind	20	Semproa
I-Math		2000	Malaysia	14	Math
First Step		2010	Ind		English
SuperMind		2002	Ind		Motivation
Super Learning		2000	Ind	8	Motivation
Universal Mental Aritmatika		1999	Ind		Semproa

- * In million rupiah (IDR)

From the data shown in capital for franchise education in Indonesia, a maximum of 1.5 billion, but the average about 20-50 million. From this analysis will be made a hypothesis, what are the factors that could affect the competitiveness of the franchise education in Indonesia, From Tangible and Intangible, to be key of successful educational franchise in Indonesia.

5. CONCLUSION

A very important challenge for franchisors is adapting the strategies of their franchise systems to new threats and opportunities. Franchisors can acquire information and knowledge from their interactions with a variety of external and internal sources. However, one of the most important sources of knowledge is the franchisees who belong to the system. Knowledge is the most significant competitive asset that a franchisor possesses under business format franchising. And, Franchisor-franchisee must have a good relationship, each party may have the capacity to influence franchise system performance. A greater awareness of their roles in the relationship may assist franchisors and franchisees to develop greater level of trust and commitment. The success of international franchising depends in large part upon how well the franchisor and franchisee understand the market. Entrepreneurship might be partially defined as the process of extracting profits from the combinations of resources in an uncertain environment.

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